## Message Text

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INFO OCT-01 IO-13 ISO-00 OIC-02 AF-10 ARA-10 EA-10 EUR-12 NEA-11 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15 SIL-01 /170 W

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R 121632Z JUN 78 FM USMISSION GENEVA TO SECSTATE WASHDC 0734

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E.O. 11652: N/A TAGS: GATT

SUBJECT: GATT CG-18 MEETING JUNE 8-9

- 1. SUMMARY: AT A RELATIVELY UNEVENTFUL MEETING OF THE GATT CG-18 JUNE 8 AND 9, DISCUSSION WAS EVENLY DIVIDED BETWEEN AGENDA TOPICS "RECENT DEVELOPMENTS IN TRADE POLICIES AND INTERNATIONAL TRADE" AND THE "GATT AFTER THE TOKYO ROUND." DISCUSSION OF THE FIRST ITEM REVEALED SUBSTANTIAL CRITICISM OF THE INADEQUACIES OF THE SECRETARIAT'S "SURVEY" AND THE CONCLUSIONS DRAWN IN THE PAPER ON "HOW PROTECTIONISM PROPAGATES ITSELF." DELEGATIONS GENERALLY RECOGNIZED THE USEFULNESS OF THE SURVEY AND MADE SUGGESTIONS FOR ITS IMPROVEMENT. SUBSTANTIAL CRITICISM WAS VOICED OF THE PROTECTIONISM PAPER BOTH FOR THE CONCLUSIONS DRAWN AND FOR OMISSIONS. CHAIRMAN NOTED THAT THE DISCUSSON DID NOT CALL FOR CONCLUSIONS AND SAID NONE WOULD BE DRAWN UP.
- 2. DISCUSSION OF THE GATT AFTER THE TOKYO ROUND WAS GENERAL IN NATURE AND MORE POSITIVE IN TONE WHICH DELS RECOGNIZED WAS DUE TO ITS MORE SPECULATIVE NATURE. DELS RECOGLIMITED OFFICIAL USE

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NIZED THAT DECISIONS IN THE MTN WOULD IN LARGE PART DETERMINE FUTURE ACTIVITIES OF THE GATT AND SEVERAL EXPLORED POSSIBILITIES FOR A NEW ROLE FOR GATT. IDEAS WERE WIDE RANGING, INFORMAL AND INCONCLUSIVE EXCEPT FOR RECOGNITION THAT GROWTH RATES, MONETARY FACTORS AND THE NEED FOR ADJUSTMENT MENTIONED IN THE SECRETARIAT'S PAPER WERE RELEVANT FACTORS. USDEL SUGGESTION THAT GATT TECHNICAL ASSISTANCE

UNIT FOR MTN SHOULD CONTINUE TO EXIST TO HELP LDCS IN IMPLEMENTATION PERIOD WAS WELL RECEIVED. DG LONG, HOWEVER, TOOK UP THE IDEA ALSO IN THE CONTEXT OF EARLIER LDC DELS PROPOSALS FOR POST-MTN TRADE NEGOTIATIONS AMONG LDCS WHICH LONG SUPPORTS. USDEL STATEMENT THAT US IS EXPLORING RELATIONSHIP BETWEEN LABOR STANDARDS AND TRADE RECEIVED FEW AND MIXED INITIAL REACTIONS. CHAIRMAN SUMMING UP STATED THAT THE QUESTIONS RAISED BY THE SECRETARIAT PAPER AND BY THE DISCUSSIONS WERE THOSE WHICH SHOULD BE ADDRESSED IN THE AUTUMN MEETING FOR FURTHER DISCUSSION AND POSSIBLE REPLIES. , NEXT MEETING SCHEDULED FOR OCT 12 AND 13. END SUMMARY.

3. DISCUSSION OF SECRETARIAT'S SURVEY OF RECENT DEVELOPMENTS WAS INITIATED BY SUBSTANTIAN AND LENGTHY CRITICISM. EC LED WITH SUGGESTION THAT USE OF UNOFFICIAL SOURCES WAS LESS SATISFACTORY THAN OFFICIAL SOURCES AND SUGGESTED THAT SECRETARIAT SHOULD LIST THE MANNER IN WHICH INDIVIDUAL GOVERNMENTS PUBLISH THEIR ACTIONS IN HOPES THAT THE EXERCISE WOULD PRODUCE MORE OFFICIAL SOURCES. IN LATER INTERVENTIONS SEVERAL COUNTRIES OFFERED TO PROVIDE SUCH SOURCES. AUSTRALIAN AND CANADIAN DELS MADE LENGTHY CRITICISMS OF THE INADEQUACY OF THE SURVEY AND THE DISTORTED PICTURE WHICH IT GIVES IN PART BECAUSE OF ACCIDENTAL TIMING OF MAJOR TRADE DEVELOPMENTS WHICH DID NOT TECHNICALLY FALL WITHIN THE DATES AND IN PART BECAUSE LONG STANDING PRACTICES ESPECIALLY IN AGRICULTURE WERE BY DEFINITION NOT INCLUDED (AUSTRALIAN DEL). LIMITED OFFICIAL USE

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AUSDEL ALSO NOTED THAT 14 OF THE 26 ENTRIES FOR HIS COUNTRY WERE ERRONEOUS IN ONE WAY OR ANOTHER. DETAILED COMMENTS OF AUSTRALIA AND CANADA PROMPTED CHAIRMAN TO CALL FOR BRIEFER INTERVENTIONS AND SUBMISSION OF DETAILED CORRECTIONS IN WRITING.

4. USDEL STATED THAT THE SURVEY IS PROMISING AND USEFUL, COULD BE MORE USEFUL AND COULD, FOR EXAMPLE, INCLUDE AREAS OF SUBSIDIZATION. THE PAPER ON PROTECTIONISM WAS IN USDEL VIEW MORE INTERESTING. IT WAS, HOWEVER, ONE SIDED. WHILE SECRETARIAT WAS RIGHT IN CRITICIZING PROTECTIONIST MEASURES, THE PAPER DID NOT ADEQUATELY REFLECT THE FACT THAT THE PERIOD SINCE 1974 HAD BEEN EXTREMELY DIFFICULT AND IN THAT CONTEXT RELATIVELY LITTLE HAD BEEN DONE IN THE WAY OF TAKING PROTECTIONIST ACTION. ALL MEASURES FURTHERMORE WERE TREATED EQUALLY. TRUE PROTECTIONIST ACTIONS SUCH AS ARTICLE XXVIII REVISIONS SHOULD NOT BE GIVEN EQUAL TREATMENT WITH MEASURES TO COUNTER SUBSIDY OR DUMPING PRACTICES OF OTHERS OR EVEN TEMPORARY SAFEGUARD ACTIONS UNDER ARTICLE XIX. FURTHERMORE, THE PAPER AND THE SURVEY BOTH FAILED TO GIVE CREDIT FOR RESTRICTIONS NOT IMPOSED DESPITE DOMESTIC PRESSURES.

5. SIMILAR COMMENTS ON SOURCES, COVERAGE, RECOGNITION OF QUALITATIVE DIFFERENCES AMONG ACTIONS TAKEN, ETC., WERE ECHOED BY MOST REMAINING SPEAKERS. ADDITIONAL COMMENTS OF NOTE INCLUDED LENGTHY AND ELOQUENT INTERVENTION BY INDIAN DEL WHO AGREED WITH THE PROPOSITION OF THE SECRETARIAT PAPER THAT PROTECTIONISM PROPAGATES ITSELF. HE LAMENTED THE FACT THAT TEXTILES, SHIPS AND FOOTWEAR, SYNTHETIC FIBERS, CARS AND "NOW STEEL" WERE BROUGHT UNDER PROTECTIONIST ARRANGEMENT. HE NOTED THAT RECESSION IS NOT THE SOLE CAUSE SINCE SOME OF THIS PROTECTIONISM HAD EXISTED FOR 15-20 YEARS. WRONG INVESTMENT DECISIONS ARE ALSO A CAUSE. INDIAN DEL NOTED AS EXAMPLES THE PETROLEUM DERIVATIVES INVESTMENTS AFTER SHORTAGE OF 1974 NOW RESULTING IN OVER-CAPACITY, AND THE CONTINUED EXPANSION OF STEEL CAPACITY BEING CARRIED OUT IN LIMITED OFFICIAL USE

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INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-11 OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
SIL-01 /170 W

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"ACKNOWLEDGED HIGH COST COUNTRIES" WHERE COST PER TON IN GREENFIELD PLANTS "IS AS MUCH AS 30 HIGHER THAN IN DEVELOP-ING COUNTRIES." HE ALLUDED TO PREVIOUS DAY'S PRESS ARTICLE ABOUT THE PROPOSED US EC JAPAN DOCUMENT CALLING FOR AN ORGANIZED MARKET FOR STEEL, LAMENTING THAT THESE DISCUSSIONS WERE NOT TAKING PLACE IN GATT WHERE OTHERS CAN PARTICIPATE

IN "THESE SYSTEMS FOR REGULATING WORLD TRADE." INDIAN DEL ALSO REGRETTED THE FIBRE CARTEL AND THE "BRUSSELS BOMB" AS AN EXAMPLE OF WHERE PROTECTION ONCE GRANTED TO A BASIC INDUSTRY SPREADS TO OTHERS

- 6. BRAZILIAN DEL SIMILARLY DIFFERENTIATED BETWEEN PROTEC-TIONIST MEASURES IN ACUTELY CHRONIC SITUATIONS AND REGRETTED DECISIONS BEING TAKEN OUTSIDE THE GATT.
- 7. IN SOMEWHAT RAMBLING SECOND INTERVENTION, EC DEL POINTED OUT THAT WHILE ONE TENDS TO IDEALIZE THE PAST, IN FACT IN THE 1960'S DUTIES WERE HIGH, MORE BOP MEASURES WERE IN EFFECT AND RESTRICTIVE ACTIONS WERE STILL TAKEN IN STEEL, SHIPYARDS AND PETROLEUM TRADE. HE ATTEMPTED TO DEFEND EC ACTIONS ON STEEL AND CHEMICAL FIBRES. FIBRE WAS ONE AREA LIMITED OFFICIAL USE

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WHERE BORDER ACTION WAS NOT POSSIBLE AND THE NEED TO REDUCE CAPACITY WAS CAUSED IN LARGE PART BY SUBSTANTIAL INCREASE IN IMPORTS OF TEXTILES. HE ALLUDED TO AN EARLIER US REMARK AND STATED THAT "CATASTROPHICAL" PROBLEMS DO NOT ALLOW THE CHOICE TO DO NOTHING.

- 8. IN INITIATING DISCUSSION OF GATT AFTER THE TOKYO ROUND, CHAIRMAN STATED THAT THE CP MEETING THIS FALL SHOULD SKETCH THE GUIDELINES FOR GATT ACTION IN THE 1980'S. QUESTIONS RAISED AT THIS CG 18 SHOULD BE ADDRESSED IN SUBSTANCE IN THE AUTUMN MEETING TO GIVE GUIDANCE TO THE CPS. HE STATED THAT MANAGEMENT OF TRADE PROBLEMS HAS CHANGED SINCE 1971 AND IF WE ARE TO "GO THROUGH STORM AFTER STORM WE CANNOT USE AN AUTOMATIC PILOT EMPTY OF SUBSTANCE AND LIFE." IN THIS CONTEXT HE ALLUDED TO THE IMF DEVELOPMENT AND INTERIM COMMITTEES AND STATED THAT TRADE POLICY PEOPLE ARE MUCH BEHIND.
- 9. THE LATTER COMMENT PROVOKED SEVERAL SUBSEQUENT STATE-MENTS. SWISS DEL STATED THAT GIVEN THE FACT THAT ECONOMIC, MONETARY AND SOCIAL PROBLEMS ARE IMPORTANT DETERMINANTS OF COMPETITION IN INTERNATIONAL TRADE, CAN TRADE TECHNICIANS REMAIN TECHNICIANS OR "SHOULD WE NOT NOW CREATE A NEW RACE OF OFFICIALS RESPONSIBLE FOR TRADE POLICY?" CANADIAN DEL NOTED THAT CG-18 MAY FLOWER AND GROW BUT THE INTERIM COMMIT-TEE AND GROUP OF 24 MAY NOT BE PARALLELS UNLESS WAY CAN BE FOUND USEFULLY TO INVOLVE MINISTERS. BRAZILIAN DEL NOTED PREVIOUS DESIRE TO REVIVE THE ITO, RECALLED A COMMENT BY THE DG THAT THE GATT WAS NOT A FACTORY BUT A BOUTIQUE AND SUG-GESTED THAT PERHAPS NOW WAS THE TIME FOR IT TO BECOME SOME-THING IN BETWEEN. INDIAN DEL, IN VIEW ECHOED BY OTHERS, NOTED THAT DAYS OF LARGE PERIODIC NEGOTIATIONS MAY BE OVER AND THOUGHT THAT GATT SHOULD ESTABLISH A PROCESS ALLOWING FOR NEGOTIATIONS ON A REGULAR BASIS.

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10. MOST DELS AGREED THAT THE MTN DECISIONS WOULD IN LARGE PART DETERMINE THE GATT AFTER THE TOKYO ROUND IN VIEW OF THE CODES AND DISPUTE MECHANISMS EXPECTED TO RESULT. SOME SUGGESTED THAT GATT (CG-18 AND SECRETARIAT) SHOULD INVOLVE SELVES IN BROADER ANALYSIS AND THAT SECRETARIAT SHOULD BECOME MORE ACTIVIST WHILE OTHERS (CANADA AND EC) EXPRESSED DOUBT. CANADIAN DEL NOTED THE WELCOME CHANGE THE GATT SECRETARIAT IS FROM OVERACTIVIST SECRETARIATS OF OTHER ORGANIZATIONS AND QUESTIONED HOW MUCH IF AT ALL MORE ACTIVIST IT SHOULD BE.

11. USDEL MADE POINTS IN TPSC 78-71 AS AMENDED BY STATE 144733. USDEL ALSO MADE FOLLOWING STATEMENT ON FAIR LABOR STANDARDS: QUOTE. THE US GOVERNMENT, IN CONFORMITY WITH OUR MANDATE UNDER THE TRADE ACT OF 1974, IS CURRENTLY EXAMINING THE RELATIONSHIP BETWEEN LABOR STANDARDS AND TRADE. THIS ISSUE IS ALREADY TREATED IN THE GATT ARTICLES TO SOME EXTENT WITH RESPECT TO CONVICT LABOR. PRESENT US INTEREST IS CONCERNED FOR EXAMPLE WITH SUCH BASIC AND WIDELY ACCEPTED MINIMUM LABOR STANDARDS AS THOSE DEALING WITH FORCED LABOR, CHILD LABOR AND WORKER EXPOSURE TO TOXIC SUBSTANCES. WE HAVE NOT REACHED ANY CONCLUSIONS NOR WOULD WE MAKE ANY PROPOSALS AT THIS STAGE. WE DO RECOGNIZE THAT THERE ARE ENORMOUS DIFFICULTIES IN DISTINGUISHING SO CALLED UNFAIR LABOR STANDARDS FROM PREVAILING ECONOMIC AND SOCIAL CONDI-TIONS. WE ARE NOT SUGGESTING THAT POVERTY BE PENALIZED. WE WOULD WELCOME THE VIEWS OF OTHER DELEGATIONS ON THIS SUBJECT AT SUBSEQUENT MEETINGS. UNQUOTE.

12. US STATEMENT THAT WE WOULD PROPOSE CONTINUING SECRETARIAT TECHNICAL ASSISTANCE FOR LDCS IN POST-MTN PERIOD WAS WELCOMED BY DG AND SEVERAL SUBSEQUENT SPEAKERS. IN HIS SUMMING UP AND TEA BREAK REMARKS WITH USDEL IT WAS CLEAR DG ENVISAGED IMMEDIATE POST-MTN NEGOTIATION AMONG LDCS WITH SECRETARIAT ASSISTANCE COMPARABLE TO EARLIER NEGOTIATIONS LIMITED OFFICIAL USE

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UNDER PROTOCOL OF 16 IMMEDIATELY AFTER KENNEDY ROUND.

13. REACTION TO FAIR LABOR STANDARDS IDEA WAS MIXED. IN TEA BREAK REMARKS TO USDEL, THE GERMAN, SWISS AND AUSTRIAN DELS ALL STATED THEY THOUGHT IT WAS "DANGEROUS." AFTER TEA BREAK, CANADIAN, SWEDISH AND EC DELS MADE ONLY COMMENTS. CANDEL IN OFF-THE-RECORD STATEMENT SAID THAT THE WHOLE IDEA IS A SUBJECT FORMALLY ADVOCATED BY UNIONS IN CANADA AND UNDOUBTEDLY IN OTHER COUNTRIES WHOSE UNIONS ARE AFFILIATED WITH INTERNATIONAL UNIONS. NEVERTHELESS, CANADIAN UNIONS DO NOT EXPECT CANADIAN GOVERNMENT TO ACT. CANDEL UNDERSTANDS THEIR POINT OF VIEW UP TO A POINT BUT THIS COULD BECOME THE INSTRUMENT FOR PROTECTIONISM MORE RAVAGING THAN ANY EVER SEEN. HE THEREFORE THOUGHT THIS WAS A DOOR THAT SHOULD NOT BE OPENED BY THIS BODY. IT WAS DOUBTFUL WE COULD REACH AGREEMENT AND IF WE DID THE POTENTIAL FOR ABUSE FAR OUT-WEIGHS ANY ADVANTAGE. IT SHOULD REMAIN IN THE ILO "WHERE IT HAS NOT MADE MUCH PROGRESS FOR GOOD REASONS."

14. SWEDISH DEL NOTED THAT THE NORDICS HAVE GIVEN SOME THOUGHT TO THESE PROBLEMS WHICH HAD POLITICAL IMPORTANCE IN LIMITED OFFICIAL USE

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THEIR COUNTRIES WHICH CANNOT BE IGNORED. WE MUST BE CAREFUL SINCE MUCH OF WHAT IS HIDDEN BEHIND THE IDEA IS PURE PROTECTIONISM. HE ADDED THAT GATT CANNOT DECIDE WHAT ARE FAIR LABOR STANDARDS. IF THERE IS A DEFINITION, WE SHOULD DECIDE TO WHAT EXTENT, OR IF, WE ARE TO CONCERN OURSELVES.

15. EC DEL STATED HE CAREFULLY NOTED THE POINT RAISED AS TO WHETHER GATT SHOULD WORK IN CERTAIN SOCIAL AREAS, WILL THINK ABOUT IT AND GIVE RESPONSE AT THE NEXT SESSION.

16. CHAIRMAN'S SUMMING UP STATED THAT THE QUESTIONS RAISED BY THE SECRETARIAT PAPER AND THE DAY'S DISCUSSION WOULD BE THOSE FOR WHICH WE SHOULD PREPARE REPLIES FOR THE AUTUMN. THE NEXT MEETING WILL BE HELD OCTOBER 12 AND 13 FOR TWO FULL DAYS.

17. THIS MESSAGE PREPARED AFTER AMB. WOLFF'S DEPARTURE. VANDEN HEUVEL

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